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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002144

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TAGS: [PREL](#) [PGOV](#) [PINR](#) [CH](#) [TW](#)

SUBJECT: COMING WEEKS OFFER KEY OPPORTUNITIES, RISKS

REF: A. TAIPEI 2126

[1](#)B. TAIPEI 2001

[1](#)C. TAIPEI 2063

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

[1](#)1. (C) Summary: The period following the May 14 National Assembly (NA) election is expected to offer a critical window for movement on both domestic and cross-Straits policy. President Chen Shui-bian plans to renew his push to create a cross-party consensus behind greater cross-Straits economic, and perhaps, political contacts. Reconciliation between the ruling and opposition party leadership will also be required to break the deadlock in the Legislative Yuan (LY) that has continued since the legislative elections last December. There will be only a narrow window between the NA election on May 14 and the recess of the current LY session, sometime before June 1, to take action on the Special Defense Procurement Budget and other key legislation. If party leaders fail to seize this window of opportunity for domestic political reconciliation, the July contest for leadership of the KMT and the onset of the December 2005 local election campaign could put opportunities for major progress in cross-Straits relations and domestic policy in jeopardy. End Summary.

Carpe Diem  
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[1](#)2. (C) The two weeks following the May 14 National Assembly (NA) election may offer a critical window for Taipei to make major strides in cross-Straits and domestic policy. Aides to President Chen Shui-bian say they will attempt to arrange meetings for the President with KMT Chairman Lien Chan and People First Chairman (PFP) Chairman James Soong, either individually or as a group, as soon as balloting closes on May 14 (Refs A/C). Chen will seek to use the meetings to build a consensus behind the government's plans for renewed cross-Straits dialogue and, if possible, secure Pan-Blue participation in some form of a Cross-Straits Peace and Stability Committee. If and when Chen secures opposition support for the government's policy of engagement with the PRC, the Chen administration plans to proceed with contacts with both Washington and Beijing over the creation of a channel and formulation to facilitate cross-Straits dialogue. Cross-Straits policy officials also emphasize that Taipei is still set to move ahead in June on measures to liberalize economic interaction with the Mainland that were delayed by PRC passage of the Anti-Secession Law. Chen's advisors believe that recent USG pressure on Beijing to reach out to the government in Taipei in the wake of the successful visits by the two Pan-Blue leaders may offer the first real opportunity for the Chen administration to establish formal contacts with the PRC.

Special Defense Budget a Critical Test  
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[1](#)3. (C) Presidential aides say the key test for the President's reconciliation initiative will be whether the Pan-Blue leaders agree to take action on the Special Defense Procurement Budget and other critical legislation during the current Legislative Yuan (LY) session (Ref B). Democratic Progressive Party (DPP) officials say that it will be hard to bring Chen's own base behind his plans for expanding cross-Straits contacts if the Pan-Blue continues to use its LY majority to frustrate other government policies, especially in the wake of the Lien/Soong visits to Beijing. However, the window for legislative action is limited given the requirement that the LY must recess before the NA can meet. Under current rules, the NA must meet within 10 days of the validation of the May 14 NA election results. The Central Election Commission (CEC) is expected to make this validation on or around May 20, with most political observers expecting the NA to open on June 1.

[1](#)4. (C) Legislative floor managers tell AIT that chances for the LY completing work on the Special Defense Budget before the late-May recess are slim. However, if the package can be voted out of the Procedure Committee during its May 17 meeting (or May 24 meeting, if the LY is still in session by

then), then the LY will be able to take action during a summer Extraordinary Session. The Democratic Progressive Party (DPP) has already announced it plans to call for a Extraordinary Session after the NA recesses, and LY President Wang Jin-pyng has publicly suggested he would support a session in either July or August (Note: under the constitution, the NA can only meet for up to 30 days, and given the limited agenda, the NA might finish its work as early as mid-June). While there are still details to be worked out over the final composition of the Special Defense Budget package, DPP LY officials tell AIT that an agreement by the four LY party caucuses to address the issue in an Extraordinary Session would signal that the budget will be enacted.

#### Worst Case Scenarios

15. (C) Presidential aides express concern privately that if the Pan-Blue leaders, and Lien Chan in particular (Ref C), refuse to participate in a high level meeting after the NA election, action on a range of major policy initiatives may have to wait until 2006. Attention in both camps is already turning to the December magistrate/mayor election. While the election is likely to focus on local issues, the amount of political and economic resources that county magistrate and city mayors can bring to future legislative and presidential elections make the December campaign critical to both sides. Thus, prospects for inter-party reconciliation during the Autumn LY session, even if a more pragmatic opposition leader emerges from the July 16 KMT Chairmanship race, are dim.

16. (C) Prospects for post-NA election cross-partisan reconciliation may be brighter than heated pre-election campaign rhetoric would otherwise suggest. The DPP and KMT, which are both campaigning in favor of the proposed constitutional reforms, are expected to cooperate in the immediate aftermath of the May 14 election to enact implementing legislation that will permit the NA to convene. A major setback for the DPP on May 14 could provoke a sharply negative reaction from within the Pan-Green base, potentially weakening Chen's mandate to reach out to the two opposition parties. However, the President has intentionally lowered expectations for a DPP victory in the days leading up to the vote, reducing the risk for a repeat of the Pan-Green backlash that followed the party's setback in the December, 2004 LY election.

#### Comment: A Unique Opportunity

17. (C) The coming weeks may offer the first real opportunity to move beyond the gridlock in domestic politics and chill in cross-Strait relations that have plagued Taiwan over the past three years. Leaders on both sides acknowledge that the public is losing patience with partisan infighting and uncertainty in cross-Strait relations. AIT will continue to press all sides to take advantage of the post-May 14 window to establish a domestic consensus behind accelerated cross-Strait contacts and to take action on the Special Defense Procurement Budget. AIT will also encourage the Chen administration to actively explore positive signs that President Hu Jintao may be moving to replace the stale Taiwan policy line of his predecessor with something new, and perhaps more flexible.

PAAL